


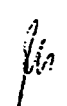
Section 2.21  
Affiliate Transactions

No exceptions

Y. JC.  
/m

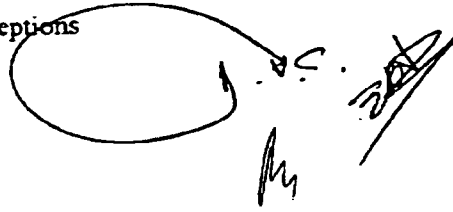
Section 2.22  
Liability for Services and Products

No exceptions

Y. V. G.   



Section 2.23  
Insurance

No exceptions

Handwritten signature and initials, possibly "S. J." and "M.", with a large circular mark.

Section 2.24  
Broker

No exceptions.

y u.s.   
m

Section 2.25  
Omissions

No exceptions.

Y.V.C.  
JH

DISCLOSURE SCHEDULE  
TO  
AGREEMENT FOR THE PURCHASE OF STOCK

By and Among

CGEA, S.A./SARP INDUSTRIES, S.A.

VALORES ECOLOGICOS, S.A. DE C.V.

AND

MR. HECTOR VARGAS GARZA

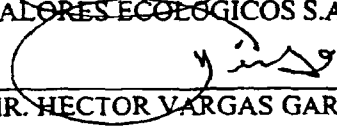
Initials:



CGEA, S.A.



VALORES ECOLOGICOS S.A. DE C.V.



MR. HECTOR VARGAS GARZA

W

Section 2.1  
Organization

No exceptions.

Y. H. G. M.

Section 2.2  
Agreements with Respect to Shares

No exceptions.

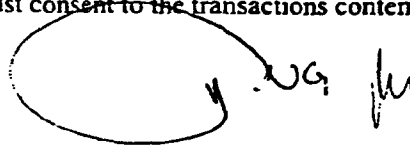
ij. 09  
lu



Section 2.3

Authorization: Absence of Liens

In accordance with the laws of the Republic of Mexico and the by-laws of the Company, only the shareholders of the Corporation must consent to the transactions contemplated by the Agreement.

A handwritten signature and initials are enclosed within a hand-drawn oval. The signature appears to be "y. VG" followed by a stylized initial "ju".

Section 2.4  
Conflicting Agreements

Section 2.4(a)

1. Addendum dated March 31, 2000 to Software License Agreement dated September 8, 1992, by and between JD Edwards World Solution Company and others and Waste Management, Inc., as Customer.

This Addendum provides (Clause 1) that in the event an affiliate or operating unit of Customer that has licensed users is sold and no longer meets definition of affiliate, JD Edwards will continue to allow the divested affiliate to continue use of the Licensed Products for a period of 120 days from the date of the sale of the former affiliate.

2. Umbrella Insurance -- The insurance provided by ACE INTERNATIONAL to the company, shall cease to be in effect upon the date of closing. A copy has been provided separately.

Section 2.4(b)

No exceptions.

A handwritten signature, possibly "M. N. G.", is written next to a large, hand-drawn oval.

Section 2.5  
Capitalization: Title to the Shares

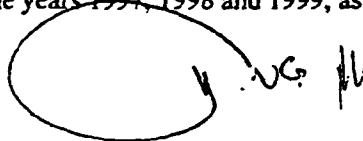
No exceptions.

W. J. G. / h

Section 2.6  
Financial Statements

No exceptions.

In compliance with Section 2.6, attached please find Exhibit A, which includes Audited Balance Sheets of the company for the years 1997, 1998 and 1999, as well as an unaudited balance sheet as of May, 2000.

A handwritten signature, possibly "JG", is written next to a large, hand-drawn oval.

# RESIDUOS INDUSTRIALES MULTIQUEM, S.A. DE C.V.

## ESTADO DE RESULTADOS

POR LOS SEIS MESES TERMINADOS EL 30 DE JUNIO DE :

Miles de Pesos

	Cifras No auditadas	
	2000	1999
<b>VENTAS</b>		
Industria Privada	\$ 167,150	\$ 133,807
Industria Paraestatal	119,995	86,714
Industria Maquiladora	<u>16,133</u>	<u>20,708</u>
	<b>\$ 303,278</b>	<b>\$ 241,229</b>
<b>COSTOS DE OPERACIÓN</b>		
Materiales de producción	15,627	12,540
Costos de mantenimiento	9,204	5,272
Salarios de ambiental	910	997
Costos de ambiental	3,436	1,799
Confinamiento terceros	5,094	8,275
Fletes	53,054	47,873
Mano de obra operaciones	19,618	7,205
Costos de operación de equipos	41,733	8,190
Mano de obra mantenimiento	1,506	1,213
Reserva para cierre de celdas	1,032	832
Post-cierre confinamiento	475	524
Amortización de celdas	1,523	2,009
Sueldos y gastos de laboratorio	3,287	1,635
Amortización de terreno	430	277
Depreciación	2,851	2,537
Servicios de ingeniería externa	2,508	2,720
Otros gastos de operación	<u>10,099</u>	<u>6,022</u>
	<b>172,387</b>	<b>109,920</b>
Soporte tecnológico	6,066	4,825
<b>MARGEN DE OPERACIÓN</b>	<b>\$ 124,825</b>	<b>\$ 114,726</b>
<b>GASTOS DE OPERACIÓN</b>		
Sueldos de venta	12,053	12,089
Gastos de venta	21,371	13,011
Sueldos de administración	10,644	9,758
Gastos de administración	<u>18,658</u>	<u>19,649</u>
	<b>62,726</b>	<b>54,507</b>
<b>UTILIDAD DE OPERACIÓN</b>	<b>\$ 62,099</b>	<b>\$ 71,977</b>
Intereses y fluctuación cambiaria, neto	370	(1,689)
Otros (productos) gastos, neto	(453)	1,555
Asistencia técnica	25,109 *	24,123
<b>UTILIDAD ANTES DE IMPUESTOS</b>	<b>\$ 37,073</b>	<b>\$ 47,988</b>
Impuesto sobre la renta	10,198	15,562
Participación a los trabajadores en las utilidades	3,187	4,798
<b>UTILIDAD NETA</b>	<b>\$ 23,688</b>	<b>\$ 27,628</b>

Nota : Los resultados de 1999 han sido actualizados a Pesos de poder adquisitivo de 2000 para facilitar la comparación en términos reales.  
No se incluyen efectos de reexpresión Boletín B-10.

LSA En julio 26, 2000 se capitalizo la cantidad de \$22,230 el resto se compone por: Diferencia por unbilled, Witholding Tax y nota de credito de MMI

# RESIDUOS INDUSTRIALES MULTIQUM, S.A. DE C.V.

## ESTADO DE SITUACIÓN FINANCIERA

AL 30 DE JUNIO 2000 Y AL 31 DE DICIEMBRE DE 1999

Miles de Pesos

Cifras No auditadas			Cifras No auditadas		
ACTIVOS	Jun. 00	*Dic. 99	PASIVOS Y CAPITAL CONTABLE	Jun. 00	*Dic. 99
<b>ACTIVOS CIRCULANTES</b>			<b>PASIVOS CIRCULANTES</b>		
<i>Electivo e inversiones en valores</i>	\$ 10,060	\$ 25,873	<i>Proveedores</i>	\$ 44,340	\$ 49,045
<i>Cilentes</i>	112,406	107,351	<i>Asistencia técnica</i>	35,161	49,637
<i>"Unbilled"</i>	24,871	21,390	<i>Soporte tecnológico</i>	4,016	2,169
<i>Estimación para cuentas incobrables</i>	(8,133)	(8,133)	<i>Participación a los trabajadores en las utilidades</i>	3,620	5,984
<i>Funcionarios y empleados</i>	1,049	1,361	<i>Impuestos por pagar</i>	5,648	6,940
<i>Inventario de celdas</i>	9,321	7,607	<i>Gastos acumulados por pagar</i>	2,887	2,717
<i>Inventarios de refacciones y equipo de seguridad</i>	3,122	3,301	<i>Estimación para cierre de celdas</i>	<u>6,051</u>	<u>6,220</u>
<i>Pagos anticipados</i>	11,175	8,156	<b>Total pasivos circulantes</b>	<b>101,723</b>	<b>122,712</b>
<i>Otras cuentas por cobrar</i>	<u>1,043</u>	<u>2,881</u>			
<b>Total activos circulantes</b>	<b>166,914</b>	<b>171,787</b>			
			<b>LARGO PLAZO</b>		
<b>PROPIEDAD, PLANTA Y EQUIPO</b>			<i>Estimación para primas de antigüedad</i>	1,045	895
<i>Edificios</i>	4,701	4,916	<i>Reserva post-cierre confinamiento</i>	1,423	947
<i>Terrenos y Mejoras a terrenos</i>	4,009	4,442	<i>Impuesto sobre la renta</i>	1,543	1,543
<i>Vehículos</i>	7,061	7,040			
<i>Equipo de cómputo</i>	2,439	3,017	<b>TOTAL PASIVOS</b>	<b>\$ 105,734</b>	<b>\$ 126,097</b>
<i>Maquinaria y equipo</i>	29,699	29,059			
<i>Mobiliario y enseres</i>	2,540	2,632	<b>CAPITAL CONTABLE</b>		
<i>Mejoras a bienes arrendados</i>	1,537	1,561	<i>Capital social</i>	\$ 90,370	\$ 90,370
<i>Construcciones en proceso</i>	25,458	16,579	<i>Utilidades retenidas</i>	92,963	69,275
<i>Actualización</i>	<u>206,581</u>	<u>206,581</u>	<i>Resultado acumulado por actualización</i>	<u>162,124</u>	<u>162,124</u>
<b>Total propiedad, planta y equipo</b>	<b>284,025</b>	<b>275,827</b>	<b>TOTAL CAPITAL CONTABLE</b>	<b>\$ 345,457</b>	<b>\$ 321,769</b>
<b>OTROS ACTIVOS</b>	<b>252</b>	<b>252</b>			
<b>TOTAL ACTIVOS</b>	<b>\$ 451,191</b>	<b>\$ 447,866</b>	<b>TOTAL PASIVOS Y CAPITAL CONTABLE</b>	<b>\$ 451,191</b>	<b>\$ 447,866</b>

**Nota :** No se incluyen efectos de reexpresión Boletín B-10 por el ejercicio 2000.  
Se presentan por separado los saldos de "unbilled".  
\*Difiere únicamente por reclasificaciones y detalle de la información, y esta presentado en cifras históricas.

# RESIDUOS INDUSTRIALES MULTIQUM, S.A. DE C.V.

## FLUJO DE EFECTIVO

POR LOS SEIS MESES TERMINADOS EL 30 DE JUNIO DE 2000

Miles de Pesos

UTILIDAD DE OPERACIÓN ANTES DE SOPORTE TECNOLÓGICO	\$ 68,165
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Cargos virtuales :	8,678
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Depreciación	5,498
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Amortización y cierre de celdas	2,555
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Primas de antigüedad	150
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Post-Cierre confinamiento	475
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Desinversión en capital de trabajo	(19,113)
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Impuesto sobre la Renta	(9,913)
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FLUJO GENERADO POR LA OPERACIÓN	\$ 47,817
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INVERSIONES, neto	\$ (16,434)
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Adiciones	(17,064)
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Bajas	630
-------	-----

FINANCIAMIENTOS	\$ (17)
-----------------	---------

Productos financieros	(17)
-----------------------	------

PAGOS A ACCIONISTAS	\$ (47,179)
---------------------	-------------

Asistencia técnica	(42,835)
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Soporte tecnológico	(4,344)
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FLUJO NETO DE EFECTIVO	\$ (15,813)
------------------------	-------------

Efectivo e inversiones en valores al inicio del año	\$ 25,873
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Efectivo e inversiones en valores al fin de mes	\$ 10,060
---	-----------

Y. V. G.  
/m

RESIDUOS INDUSTRIALES MULTIQULM, S.A. DE C.V.  
 RECONCILIATION BALANCE SHEETS AS OF JUN 30, 2000

THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF JUN 30, 2000

	BALANCE RIMSA	REVALUATION	RECLAS.	BALANCE WMI	BALANCE WMI	
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
Cash and marketable securities	10,060			10,060	10,158	(98)
Trade receivables	131,144		337	130,807	130,807	(0)
Affiliated companies receivable	-			-	-	-
Recoverable taxes	-			-	-	-
Other accounts receivable	2,344		705	1,639	1,639	0
Inventories of cells and spare parts	12,443		209	12,234	12,234	(0)
Prepaid expenses	11,175			11,175	11,101	74
Guarantees for bids and other deposits	-			-	-	-
<b>Total current assets</b>	<b>167,166</b>	<b>-</b>	<b>1,251</b>	<b>165,915</b>	<b>165,939</b>	<b>(24)</b>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	<b>284,025</b>	<b>205,079</b>	<b>-209</b>	<b>(13,382)</b>	<b>92,537</b>	<b>197</b>
<b>TOTAL ASSETS</b>	<b>451,191</b>	<b>205,079</b>	<b>1,042</b>	<b>(13,382)</b>	<b>258,452</b>	<b>173</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>						
<b>CURRENT LIABILITIES:</b>						
Suppliers	44,340		744	43,596	43,596	(0)
Affiliated companies payable	39,177		1,033	25,109	13,035	0
Taxes payable	5,648		(1,347)	(1,558)	8,537	16
Other accounts payable	2,887		(694)	341	2,978	262
Employee profit sharing payable	3,620		(237)	(1,449)	5,306	(0)
Cell closure reserve	6,051		(1,423)	7,474	7,474	(0)
<b>Total current liabilities</b>	<b>101,723</b>	<b>-</b>	<b>(1,924)</b>	<b>22,443</b>	<b>80,926</b>	<b>278</b>
<b>SENIORITY PREMIUMS PROVISION</b>	<b>1,045</b>			<b>1,045</b>	<b>1,045</b>	<b>0</b>
<b>LANDFILL CLOSURE RESERVE</b>	<b>1,423</b>		<b>1,423</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INCOME TAXES PAYABLE</b>	<b>1,543</b>		<b>1,543</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>105,734</b>	<b>-</b>	<b>1,042</b>	<b>22,443</b>	<b>81,971</b>	<b>278</b>
<b>STOCKHOLDERS EQUITY</b>						
Capital stock	90,370	49,163		41,207	41,207	-
Retained earnings	92,963	(6,208)		(35,825)	135,101	(105)
Cumulative restatement effect	162,124	162,124		-	-	-
<b>Total stockholder's equity</b>	<b>345,457</b>	<b>205,079</b>	<b>-</b>	<b>(35,825)</b>	<b>176,308</b>	<b>(105)</b>

CGEA0040629

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RESIDUOS INDUSTRIALES MULTISERVICIOS, S.A. DE C.V.  
 RECONCILIATION STATEMENTS OF INCOME  
 FOR THE YEARS ENDED JUNE 30, 2000  
 THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF JUNE 30, 2000

	STATEMENTS OF INCOME AUDIT	REVALUATION	RECLASIF	AJUSTES	STATEMENTS OF INCOME WMI	STATEMENTS OF INCOME WMI	
REVENUE FOR SERVICES	303,278				303,278	303,278	
COST OF SERVICES	178,453		965		177,488	177,474	14
<b>GROSS INCOME</b>	<b>124,825</b>	<b>-</b>	<b>(965)</b>	<b>-</b>	<b>125,790</b>	<b>125,804</b>	<b>(14)</b>
SELLING EXPENSES	33,424		1,811		31,613	31,613	0
ADMINISTRATIVE EXPENSES	29,302		3,290		26,012	26,012	0
<b>OPERATING INCOME</b>	<b>62,099</b>	<b>-</b>	<b>(6,066)</b>	<b>-</b>	<b>68,165</b>	<b>68,179</b>	<b>(14)</b>
INTEGRAL COST OF FINANCING:							
INTEREST INCOME (EXPENSE), NET	(370)		(220)		(150)	(150)	0
EXCHANGE LOSS, NET	-		-		-	-	-
LOSS ON MONETARY POSITION	-		-		-	-	-
OTHER EXPENSES, NET	24,656		(6,286)	25,109	5,833	5,833	(0)
<b>INCOME BEFORE INCOME TAXES AND EMPLOYEE PROFIT SHARING</b>	<b>37,073</b>	<b>-</b>	<b>-</b>	<b>(25,109)</b>	<b>62,182</b>	<b>62,195</b>	<b>(13)</b>
INCOME TAXES	10,198				10,198	10,198	0
EMPLOYEE PROFIT SHARING	3,187				3,187	3,187	0
<b>NET INCOME FOR THE YEAR</b>	<b>23,688</b>	<b>-</b>	<b>-</b>	<b>(25,109)</b>	<b>48,797</b>	<b>48,811</b>	<b>(14)</b>

En la columna de reclasificaciones los cambios que se hacen son los siguientes:

Bajar a otros costos la asistencia técnica 2%

En el caso de gastos de venta y administración se reclasifican a las cuentas de operaciones los conceptos de renta de local, depreciación y los gastos de comedor de Mina.

En otros intereses se reclasifican las comisiones bancarias.

En la columna de ajustes, el monto es las regalías que se están cancelando en la hoja de traslación.

CGEA0040630

RESIDUOS INDUSTRIALES MULTIQUM, S.A. DE C.V.  
 RECONCILIATION BALANCE SHEETS AS OF DECEMBER 31, 1999  
 THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF DECEMBER 31, 1999

	BALANCE AUDIT	REVALUATION	RECLAS.	Adjustments	BALANCE WMI	BALANCE WMI	
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and marketable securities	25,873				25,873	25,873	-
Trade receivables	116,066		(58)		116,124	116,124	-
Affiliated companies receivable	6,483				6,483	6,483	-
Recoverable taxes	2,881		2,881		-	-	-
Other accounts receivable	1,419		58		1,361	1,361	-
Inventories of cells and spare parts	10,908		380		10,528	10,528	-
Prepaid expenses	7,792		798		6,994	6,994	-
Guarantees for bids and other deposits	617				617	617	-
<b>Total current assets</b>	<b>172,039</b>	<b>-</b>	<b>4,059</b>	<b>-</b>	<b>167,980</b>	<b>167,980</b>	<b>-</b>
PROPERTY, PLANT AND EQUIPMENT, net	275,827	205,079	(380)	(13,382)	84,510	84,515	(5)
<b>TOTAL ASSETS</b>	<b>447,866</b>	<b>205,079</b>	<b>3,679</b>	<b>(13,382)</b>	<b>252,490</b>	<b>252,495</b>	<b>(5)</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>							
<b>CURRENT LIABILITIES:</b>							
Suppliers	31,934		(5,088)		37,022	37,022	(0)
Affiliated companies payable	58,267		6,462		51,805	51,805	0
Taxes payable	6,940		1,338	(1,558)	7,160	7,159	1
Other accounts payable	13,367		(576)	341	13,602	13,518	84
Employee profit sharing payable	5,984			(1,449)	7,433	7,433	-
Cell closure reserve	6,220				6,220	6,219	1
<b>Total current liabilities</b>	<b>122,712</b>	<b>-</b>	<b>2,138</b>	<b>(2,666)</b>	<b>123,242</b>	<b>123,156</b>	<b>86</b>
SENIORITY PREMIUMS PROVISION	895				895	895	-
LANDFILL CLOSURE RESERVE	947				947	947	-
INCOME TAXES PAYABLE	1,543		1,543		-	-	-
<b>Total liabilities</b>	<b>126,097</b>	<b>-</b>	<b>3,679</b>	<b>(2,666)</b>	<b>125,084</b>	<b>124,998</b>	<b>86</b>
<b>STOCKHOLDERS EQUITY</b>							
Capital stock	90,370	49,163			41,207	41,207	-
Retained earnings	69,275	(6,208)		(10,716)	86,199	86,290	(91)
Cumulative restatement effect	162,124	162,124			-	-	-
<b>Total stockholder's equity</b>	<b>321,769</b>	<b>205,079</b>	<b>-</b>	<b>(10,716)</b>	<b>127,406</b>	<b>127,497</b>	<b>(91)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>447,866</b>	<b>205,079</b>	<b>3,679</b>	<b>(13,382)</b>	<b>252,490</b>	<b>252,495</b>	<b>(5)</b>

CGEA0040631

**REMEDIOS INDUSTRIALES MULTIQUM, S.A. DE C.V.**  
**RECONCILIATION STATEMENTS OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**  
**THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF DECEMBER 31, 1999**

	Income Statements Audited	Revaluation	Reclass.	Adjustments	Income Statements WMI	Traslación WMI
Revenue for services	521,009	20,351			500,658	500,658
Cost of services	339,604	25,017	51,769	17,583	245,235	245,237
<b>Gross Income</b>	<b>181,405</b>	<b>(4,666)</b>	<b>(51,769)</b>	<b>(17,583)</b>	<b>255,423</b>	<b>255,421</b>
Selling expenses	62,476	2,243	3,142	336	56,755	56,753
Administrative expenses	57,186	2,409	5,502	283	48,992	48,992
<b>Operating Income</b>	<b>61,743</b>	<b>(9,318)</b>	<b>(60,413)</b>	<b>(18,202)</b>	<b>149,676</b>	<b>149,676</b>
<b>Integral cost of Financing</b>						
Interest Income (expenses) Net	1,380	169	(256)		1,467	1,467
Change loss net	571	70			501	501
Monetary position	4,701	4,701			-	-
Other expenses Net	587	322	(60,669)	2,855	58,079	58,079
<b>Income before income taxes and employee Profit Sharing</b>	<b>57,264</b>	<b>(14,242)</b>	<b>-</b>	<b>(21,057)</b>	<b>92,563</b>	<b>92,563</b>
Income Taxes	20,512	1,225		(2,263)	21,550	21,550
Employee profit Sharing	6,028	382		(1,449)	7,095	7,095
<b>Net Income for the year</b>	<b>30,724</b>	<b>(15,849)</b>	<b>-</b>	<b>(17,345)</b>	<b>63,918</b>	<b>63,918</b>

**Explanation of adjustment column:**

In operating cost WMI capitalized this amount vs. expense chosen for Mexican GAAP

Containers	18,555
Depreciation containers	(699)
Traveling expenses	(250)
Land Improvements amortization	(23)
<b>Total</b>	<b>17,583</b>

U.S. GAAP reflect the following audit adjustments not reflected in the US GAAP at year-end 99:

	Selling exp.	Adm. Expense
Christmas bonus	227	231
Performance bonus	434	
Traveling expenses	(325)	(200)
Social Security Tax		(11)
Payroll Taxes		33
Non-deductible expenses		230
	<b>336</b>	<b>283</b>

In other expenses, net 2,855 is for audit adjustments of prior year.

Under Income Taxes and Profit Sharing, the final audit adjustment is reflected for the final tax payment.

RESIDUOS INDUSTRIALES MULTIQUM, S.A. DE C.V.  
 RECONCILIATION BALANCE SHEETS AS OF DECEMBER 31, 1998  
 THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF DECEMBER 31, 1998

	BALANCE AUDIT	REVALUATION	RECLAS.	AJUSTES	BALANCE WMI	BALANCE WMI	
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and marketable securities	13,646		-653	-258	14,557	14,854	(297)
Trade receivables	147,885		-2412	-1142	151,439	151,439	-
Affiliated companies receivable	-				-	-	-
Recoverable taxes	398		398		-	-	-
Other accounts receivable	1,974				1,974	1,974	(0)
Inventories of cells and spare parts	6,116		3018		3,098	3,098	-
Prepaid expenses	2,209				2,209	1,908	301
Guarantees for bids and other deposits	3,065		3065		-	-	-
<b>Total current assets</b>	<b>175,293</b>	<b>-</b>	<b>3,416</b>	<b>(1,400)</b>	<b>173,277</b>	<b>173,274</b>	<b>3</b>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	<b>246,854</b>	<b>198,854</b>	<b>-3018</b>	<b>1,211</b>	<b>49,807</b>	<b>49,807</b>	<b>(0)</b>
<b>TOTAL ASSETS</b>	<b>422,147</b>	<b>198,854</b>	<b>398</b>	<b>(189)</b>	<b>223,084</b>	<b>223,081</b>	<b>3</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>							
<b>CURRENT LIABILITIES:</b>							
Suppliers	15,419			(2,527)	17,946	18,434	(488)
Affiliated companies payable	96,627				96,627	96,664	163
Taxes payable	8,573		398	(2,318)	10,493	10,563	(70)
Other accounts payable	20,453			(1,069)	21,522	21,256	266
Employee profit sharing payable	6,068			(157)	6,223	6,309	(86)
Cell closure reserve	6,477				6,477	6,477	0
<b>Total current liabilities</b>	<b>153,615</b>	<b>-</b>	<b>398</b>	<b>(6,071)</b>	<b>159,288</b>	<b>159,502</b>	<b>(214)</b>
<b>SENIORITY PREMIUMS PROVISION</b>					-	-	-
<b>LANDFILL CLOSURE RESERVE</b>					-	-	-
<b>INCOME TAXES PAYABLE</b>					-	-	-
<b>Total liabilities</b>	<b>153,615</b>	<b>-</b>	<b>398</b>	<b>(6,071)</b>	<b>159,288</b>	<b>159,502</b>	<b>(214)</b>
<b>STOCKHOLDERS EQUITY</b>							
Capital stock	80,456	39,250			41,206	41,207	(1)
Retained earnings	34,323	5,851		5,882	22,590	22,371	219
Cumulative restatement effect	153,753	153,753			-	-	-
<b>Total stockholder's equity</b>	<b>268,532</b>	<b>198,854</b>	<b>-</b>	<b>5,882</b>	<b>63,796</b>	<b>63,578</b>	<b>218</b>

CGEA0040633

CONCILIACIÓN ESTADOS DE INGRESOS Y GASTOS  
 POR LOS AÑOS TERMINADOS EN DICIEMBRE 31, 1998  
 EN MIL DÓLARES DE LOS ESTADOS UNIDOS CON PODER DE COMPRA DE DICIEMBRE 31, 1998

	STATEMENTS OF INCOME AUDIT	REVALUATION	RECLASIF	AJUSTES	STATEMENTS OF INCOME WMI	STATEMENTS OF INCOME WMI	
REVENUE FOR SERVICES	542,897	38,978		18,908	604,810	604,810	0
COST OF SERVICES	377,881	39,539	58,806	(3,718)	283,454	283,435	19
GROSS INCOME	164,816	(561)	(98,806)	22,627	221,356	221,375	(19)
SELLING EXPENSES	62,410	3,783	2,772	(704)	48,558	48,558	-
ADMINISTRATIVE EXPENSES	48,874	3,897	4,408	(578)	41,285	41,285	(0)
OPERATING INCOME	83,532	(8,041)	(85,848)	23,908	133,514	133,532	(18)
NET INTEGRAL COST OF FINANCING:							
INTEREST INCOME (EXPENSE), NET	(3,316)	(270)	(400)	32	(2,678)	(2,682)	4
CURRENCY LOSS, NET	(5,228)	(715)			(4,513)	(4,542)	29
INCOME (LOSS) ON MONETARY POSITION	4,453	4,453			0	-	0
OTHER EXPENSES, NET	(160)	(9)	88,248	17,572	(83,969)	(83,958)	(1)
INCOME BEFORE INCOME TAXES AND EMPLOYEE PROFIT SHARING	79,291	(4,583)	(1)	41,508	42,364	42,360	14
INCOME TAXES	18,080	1,583		(815)	17,112	17,112	1
EMPLOYEE PROFIT SHARING	5,872	514		(157)	5,515	5,515	(0)
NET INCOME FOR THE YEAR	55,339	(8,878)	(1)	42,281	19,737	19,733	14

En la primera columna se muestran los estados financieros auditados.  
 En la segunda columna se está quitando el efecto de Revaloración (B-10).  
 En el caso de gastos de venta y administración se reclasifican a las cuentas de operaciones los conceptos de renta de local,  
 depreciación y los gastos de comedor de Minas.  
 En otros intereses se reclasifican las comisiones bancarias a otros gastos e ingresos.  
 En otros gastos e ingresos se está reclasificando las regalías por 85,848.

En la columna de ajustes se está quitando el saldo inicial del unbilid, esto debido a que Rimsa reconoce el 100% del unbilid acumulado en este año.  
 En la columna de costos de operación se hacen los siguientes ajustes.

Ajuste de auditoría al IMSS	(405)
Ajuste de auditoría al INFONAVIT	(155)
Ajuste de auditoría a Depreciaciones	(667)
Ajuste de W.M. De años anteriores	(2,527)
Ajuste de Rimsa a impuestos de nómina	37
	(3,718)

En los gastos de venta se hacen los siguientes ajustes

Ajuste de auditoría al Bono anual	(160)
Ajuste de Rimsa a impuestos de nómina	30
Ajuste a gastos varios de venta	40
Ajuste de auditoría a Depreciaciones	(314)
	(704)

En los gastos de administración se hacen los siguientes ajustes

Ajuste de auditoría al Bono anual	(298)
Ajuste de Rimsa a impuestos de nómina	39
Ajuste a gastos varios de venta	272
Ajuste de auditoría a Depreciaciones	(589)
	(576)

En la cuenta de intereses se hace un ajuste de 31.6 a intereses

En la cuenta de otros gastos e ingresos se hace un ajuste de 17,572 que WMI al tiene en su contabilidad y corresponde al ejercicio anterior.

1,464,209  
 2,286,576

CGEA0040634

RESIDUOS INDUSTRIALES MULTIQUM, S.A. DE C.V.  
 RECONCILIATION BALANCE SHEETS AS OF DECEMBER 31, 1997  
 THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF DECEMBER 31, 1997

	BALANCE AUDIT	REVALUATION	RECLAS.	AJUSTES	BALANCE WMI	BALANCE WMI	
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and marketable securities	3,159		-7938		11,095	11,095	.
Trade receivables	117,417		-1673	(23,044)	142,134	142,134	.
Affiliated companies receivable					-	-	.
Recoverable taxes	887		887		-	-	.
Other accounts receivable	766				766	765	(19)
Inventories of cells and spare parts	8,130	3,235			4,895	4,895	.
Prepaid expenses	10,703		9188		1,515	1,515	.
Guarantees for bids and other deposits					-	-	.
<b>Total current assets</b>	<b>141,062</b>	<b>3,235</b>	<b>466</b>	<b>(23,044)</b>	<b>160,405</b>	<b>160,424</b>	<b>(19)</b>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	<b>207,683</b>	<b>166,913</b>		<b>1,730</b>	<b>39,040</b>	<b>39,023</b>	<b>17</b>
<b>TOTAL ASSETS</b>	<b>348,745</b>	<b>170,148</b>	<b>466</b>	<b>(21,314)</b>	<b>199,445</b>	<b>199,447</b>	<b>(2)</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>							
<b>CURRENT LIABILITIES:</b>							
Leasing	480		(222)		702	410	292
Suppliers	32,571		(7,004)	15,132	24,443	24,521	(78)
Affiliated companies payable	107,475				107,475	107,440	35
Taxes payable	13,217		6,748	(153)	6,622	6,622	.
Other accounts payable	7,615		722		6,893	6,893	.
Employee profit sharing payable	4,269				4,269	4,523	(254)
Cell closure reserve	5,830	649			5,181	5,181	.
<b>Total current liabilities</b>	<b>171,457</b>	<b>649</b>	<b>244</b>	<b>14,979</b>	<b>155,585</b>	<b>155,590</b>	<b>(5)</b>
Leasing L.T.	222		222		-	-	.
LANDFILL CLOSURE RESERVE					-	-	.
INCOME TAXES PAYABLE					-	-	.
<b>Total liabilities</b>	<b>171,679</b>	<b>649</b>	<b>466</b>	<b>14,979</b>	<b>155,585</b>	<b>155,590</b>	<b>(5)</b>
<b>STOCKHOLDERS EQUITY</b>							
Capital stock	67,833	26,627			41,206	41,207	(1)
Retained earnings	(17,719)	15,920		(36,292)	2,653	2,650	3
Cumulative restatement effect	126,952	126,952			-	-	.
<b>Total stockholder's equity</b>	<b>177,066</b>	<b>169,499</b>	<b>-</b>	<b>(36,292)</b>	<b>43,859</b>	<b>43,857</b>	<b>2</b>

CGEA0040635

CONCILIATION STATEMENTS OF INCOME  
 OR THE YEAR ENDING DECEMBER 31, 1997  
 THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF DECEMBER 31, 1997

	STATEMENTS OF INCOME AUDIT	REVALUATION	RECLASIF	AJUSTES	STATEMENTS OF INCOME WMI	STATEMENTS OF INCOME WMI	
REVENUE FOR SERVICES	467,225	20,663			446,562	446,946	(384)
COST OF SERVICES	342,728	20,607	78,599		243,522	244,032	(510)
<b>GROSS INCOME</b>	<b>124,497</b>	<b>56</b>	<b>(78,599)</b>	<b>-</b>	<b>203,040</b>	<b>202,914</b>	<b>126</b>
SELLING EXPENSES							
ADMINISTRATIVE EXPENSES	103,741	3,821	2,155	13,401	84,364	84,364	-
<b>OPERATING INCOME</b>	<b>20,756</b>	<b>(3,765)</b>	<b>(80,754)</b>	<b>(13,401)</b>	<b>118,676</b>	<b>118,550</b>	<b>126</b>
NETRAL COST OF FINANCING:							
INTEREST INCOME (EXPENSE), NET	(2,542)	620			(3,162)	(3,009)	(153)
EXCHANGE LOSS, NET	(3,008)	(1,155)			(1,853)	(1,834)	(19)
INCOME (LOSS) ON MONETARY POSITION	3,839	3,839			-	-	-
OTHER EXPENSES, NET	(218)	2	80,754		(80,974)	(80,861)	(113)
<b>INCOME BEFORE INCOME TAXES AND EMPLOYEE PROFIT SHARING</b>	<b>18,827</b>	<b>(659)</b>	<b>-</b>	<b>(13,401)</b>	<b>32,687</b>	<b>32,848</b>	<b>(159)</b>
INCOME TAXES	13,863	482		(5,894)	19,275	19,276	(1)
EMPLOYEE PROFIT SHARING	4,269			269	4,000	4,000	-
<b>NET INCOME FOR THE YEAR</b>	<b>495</b>	<b>(1,141)</b>	<b>-</b>	<b>(7,776)</b>	<b>9,412</b>	<b>9,570</b>	<b>(158)</b>

Explanation for adjustment column:

Business Development  
 Profit sharing adjustment  
 Income Tax adjustment from audit based on actual  
 Total Adjustments:

(13,401)  
 -269  
 5,894  
 (7,776)

Cuenta	Mty	Tijuana	Total	Revaluación	Reclasif.	Ajuste	RIMSA	WM	
<b>Activos</b>									
Bancos pesos	(16,306.0)	228.0	(16,078.0)		(7,405.0)		(8,673.0)	(8,586.0)	(87.0)
Bancos Dls	9,216.0	498.0	9,714.0				9,714.0	9,712.0	2.0
Caja Chica	120.0	12.0	132.0				132.0	132.0	-
Inversiones	8,023.0		8,023.0		(1,814.0)		9,837.0	9,837.0	-
Cilentes	120,947.0	10,602.0	131,549.0		(390.0)	(1,192.0)	133,131.0	133,131.0	-
Cilentes Unbilled			-			(18,909.0)	18,909.0	18,909.0	-
Aliliadas	25,648.0	(28,432.0)	(2,784.0)				(2,784.0)	(2,229.0)	(555.0)
Funcionarios y emp.	766.0		766.0				766.0	804.0	(38.0)
Otros ctas. Por cobrar	814.0		814.0				814.0	(179.0)	993.0
Reserva para incob.	(8,163.0)	(2,477.0)	(10,640.0)			(2,963.0)	(7,677.0)	(7,677.0)	-
Inventarios	1,287.0		1,287.0				1,287.0	1,109.0	178.0
Prepagos	10,417.0	127.0	10,544.0		9,609.0		935.0	1,515.0	(580.0)
Celdas	3,815.0		3,815.0				3,815.0	3,786.0	29.0
Activos Fijos	48,870.0	10,266.0	59,136.0			1,730.0	57,408.0	57,366.0	40.0
Depreciación	(15,518.0)	(2,858.0)	(18,374.0)				(18,374.0)	(18,343.0)	(31.0)
Revaluación	169,950.0		169,950.0	169,950.0			-	-	-
Otras inversiones	160.0		160.0				160.0	160.0	-
	360,046.0	(12,032.0)	348,014.0	169,950.0	-	(21,334.0)	199,398.0	199,447.0	(49.0)
<b>Pasivos</b>									
Prestamo afiliadas	32,272.0		32,272.0				32,272.0	32,272.0	-
Prestamos bancarios	259.0		259.0				259.0	240.0	19.0
Arrendamiento financ.	443.0		443.0				443.0	170.0	273.0
Ctas. por pagar dls	77.0		77.0				77.0		77.0
Proveedores	45,589.0	2,446.0	48,035.0			15,131.0	32,904.0	24,521.0	8,383.0
Prov. de cuentas por pagar	3,703.0		3,703.0				3,703.0		3,703.0
Servicios de confinamiento	12,612.0		12,612.0				12,612.0	16,315.0	(3,703.0)
IVA	66.0	54.0	120.0			(152.0)	272.0	582.0	(310.0)
Provisión de gastos	46,789.0	4,068.0	50,857.0				50,857.0	58,853.0	(7,996.0)
Impuestos por pagar	5,472.0	400.0	5,872.0				5,872.0		5,872.0
Pasivo laboral	450.0		450.0				450.0		450.0
ISR y PTU	11,066.0		11,066.0				11,066.0	11,416.0	(350.0)
Cierre de celdas	5,181.0		5,181.0				5,181.0	5,181.0	-
	163,979.0	6,968.0	170,947.0	-	-	14,979.0	155,968.0	149,550.0	6,418.0
<b>Capital</b>									
Capital social	41,207.0		41,207.0				41,207.0	41,207.0	-
Utilidades retenidas	10,230.0	(18,827.0)	(8,597.0)	25,988.0		(36,310.0)	1,725.0	(6,920.0)	8,645.0
Exceso en act.	143,962.0		143,962.0	143,962.0			-	-	-
Resultado del ejercicio	668.0	(173.0)	495.0				495.0	9,570.0	(9,075.0)
	196,067.0	(19,000.0)	177,067.0	169,950.0	-	(36,310.0)	43,427.0	43,857.0	(430.0)
<b>Pasivo más capital</b>	360,046.0	(12,032.0)	348,014.0	169,950.0	-	(21,331.0)	199,395.0	193,407.0	5,988.0
						(3.0)	3.0	6,040.0	(6,037.0)

CGEA0040637



Cuenta	Mty	Tijua	Total	Revaluación	Reclasif.		RIMSA	WM	
<b>Activos</b>									
Ventas	423,045.0	24,352.0	447,397.0				447,397.0	446,946.0	451.0
Costos de operación									
Materiales de prod.	15,026.0	36.0	15,062.0		(19,193.0)		34,255.0	34,037.0	218.0
Costos de mlti.	3,930.0	316.0	4,246.0				4,246.0	3,976.0	270.0
Gastos de ambiental	4,036.0	505.0	4,541.0				4,541.0	3,803.0	738.0
Confinamiento de terceros	23,697.0	7,946.0	31,643.0				31,643.0	29,767.0	1,876.0
Fieles	111,735.0	5,813.0	117,548.0				117,548.0	120,843.0	(3,295.0)
Mano de obra operac.	4,960.0	1,039.0	5,999.0				5,999.0	5,869.0	130.0
Costo de operac. de equipo	40,269.0		40,269.0		19,193.0		21,076.0	21,076.0	-
Mano de obra mant.	1,510.0		1,510.0				1,510.0	1,509.0	1.0
Amort. De celdas	10,451.0		10,451.0	5,147.0			5,304.0	5,305.0	(1.0)
Gastos de Laboratorio	1,583.0	778.0	2,361.0				2,361.0	2,377.0	(16.0)
Otros costos de operac.	176.0		176.0		176.0		-	-	-
Depreciación	7,251.0	973.0	8,224.0	3,975.0			4,249.0	4,120.0	129.0
Otros costos de operac.	7,643.0	474.0	8,117.0		(317.0)	(2,403.0)	10,837.0	10,617.0	220.0
Rentas	-	-	-		(733.0)		733.0	733.0	-
<b>Total operaciones</b>	<b>232,267.0</b>	<b>17,880.0</b>	<b>250,147.0</b>	<b>9,122.0</b>	<b>(874.0)</b>	<b>(2,403.0)</b>	<b>244,302.0</b>	<b>244,032.0</b>	<b>270.0</b>
<b>Margen</b>	<b>190,778.0</b>	<b>6,472.0</b>	<b>197,250.0</b>	<b>(9,122.0)</b>	<b>874.0</b>	<b>2,403.0</b>	<b>203,095.0</b>	<b>202,914.0</b>	<b>181.0</b>
Sueldos de venta	14,397.0	1,462.0	15,859.0				15,859.0	16,085.0	(226.0)
Gastos de venta	35,436.0	1,051.0	36,487.0		874.0		35,613.0	33,646.0	1,967.0
Sueldos de admón	11,125.0	2,218.0	13,343.0			2,403.0	10,940.0	10,940.0	-
Gastos de admón	20,342.0	1,874.0	22,216.0				22,216.0	23,693.0	(1,477.0)
<b>Total venta y admón</b>	<b>81,300.0</b>	<b>6,605.0</b>	<b>87,905.0</b>	<b>-</b>	<b>874.0</b>	<b>2,403.0</b>	<b>84,628.0</b>	<b>84,364.0</b>	<b>264.0</b>
<b>Ebit</b>	<b>109,478.0</b>	<b>(133.0)</b>	<b>109,345.0</b>	<b>(9,122.0)</b>	<b>-</b>	<b>-</b>	<b>118,467.0</b>	<b>118,550.0</b>	<b>(83.0)</b>
Intereses	(3,047.0)	64.0	(2,983.0)	(7,984.0)			5,001.0	4,843.0	158.0
Credito mercantil	698.0		698.0				698.0		698.0
Otros gastos e ingresos	93,509.0	(25.0)	93,484.0			13,401.0	80,083.0	80,861.0	(778.0)
<b>Total otros gastos e Ingresos</b>	<b>91,160.0</b>	<b>39.0</b>	<b>91,199.0</b>	<b>(7,984.0)</b>	<b>-</b>	<b>13,401.0</b>	<b>85,782.0</b>	<b>85,704.0</b>	<b>78.0</b>
<b>Pre-Tax</b>	<b>18,318.0</b>	<b>(172.0)</b>	<b>18,146.0</b>	<b>(1,138.0)</b>	<b>-</b>	<b>(13,401.0)</b>	<b>32,685.0</b>	<b>32,846.0</b>	<b>(161.0)</b>
ISR	13,382.0		13,382.0			(5,894.0)	19,276.0	19,276.0	-
PTU	4,269.0		4,269.0			269.0	4,000.0	4,000.0	-
	<b>17,651.0</b>	<b>-</b>	<b>17,651.0</b>	<b>-</b>	<b>-</b>	<b>(5,825.0)</b>	<b>23,276.0</b>	<b>23,276.0</b>	<b>-</b>
<b>Utilidad Neta</b>	<b>667.0</b>	<b>(172.0)</b>	<b>495.0</b>	<b>(1,138.0)</b>	<b>-</b>	<b>(7,776.0)</b>	<b>9,409.0</b>	<b>9,570.0</b>	<b>(161.0)</b>

CGEA0040638



(Translation of financial statements originally issued in Spanish)

**Residuos Industriales Multiquim, S. A. de C. V.**

Financial statements as of December 31, 1999 and 1998  
Thousands of Mexican pesos with purchasing power  
As of December 31, 1999  
Together with Auditors' report

A handwritten signature in black ink, consisting of a large loop followed by the letters 'n. v. d.' and a final flourish.

ARTHURANDERSEN


(Translation of a report originally issued in Spanish)  
(See Note 1 to the financial statements)

To the Stockholders of  
Residuos Industriales Multiquim, S. A. de C. V.

We have audited the accompanying balance sheets of RESIDUOS INDUSTRIALES MULTIQUEM, S. A. DE C. V. as of December 31, 1999 and 1998, and the related statements of income, changes in stockholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico, which are substantially the same as those followed in the United States. Those standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in conformity with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Residuos Industriales Multiquim, S. A. de C. V. at December 31, 1999 and 1998, and the results of its operations, the changes in its stockholders' equity and the changes in its financial position for the years then ended, in conformity with the accounting principles generally accepted in Mexico.

*Arthur Andersen*  


March 8, 2000

CGEA0040640

(Translation of financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIQUM, S. A. DE C. V.BALANCE SHEETS AS OF DECEMBER 31, 1999 AND 1998Thousands of Mexican pesos with purchasing power as of December 31, 1999

ASSETS	1999	1998
<b>CURRENT ASSETS:</b>		
Cash and marketable securities	\$ 25,873	\$ 15,326
Trade receivables	116,066	162,857
Affiliated companies receivable	6,483	3,232
Recoverable taxes	2,881	447
Other accounts receivable	1,419	2,217
Inventories of cells and spare parts	10,908	6,870
Prepaid expenses	7,792	2,481
Guarantees for bids and other deposits	617	3,442
Total current assets	172,039	196,872
PROPERTY, PLANT AND EQUIPMENT, net	275,827	277,242
<b>TOTAL ASSETS</b>	<b>\$ 447,866</b>	<b>\$ 474,114</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Suppliers	\$ 31,934	\$ 17,317
Affiliated companies payable	58,267	78,773
Loan from affiliated company		29,749
Taxes payable	6,940	9,628
Other accounts payable	13,367	22,284
Employee profit sharing payable	5,984	6,813
Cell closure reserve	6,220	7,275
Total current liabilities	122,712	171,839
SENIORITY PREMIUMS PROVISION	895	674
LANDFILL CLOSURE RESERVE	947	
INCOME TAXES PAYABLE	1,543	
Total liabilities	126,097	172,513
<b>STOCKHOLDERS' EQUITY:</b>		
Capital stock	90,370	90,370
Retained earnings	69,275	38,551
Cumulative restatement effect	162,124	172,680
Total stockholders' equity	321,769	301,601
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 447,866</b>	<b>\$ 474,114</b>

The accompanying notes are an integral part of these financial statements.

(Translation of financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIQUM, S. A. DE C. V.STATEMENTS OF INCOMEFOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998Thousands of Mexican pesos with purchasing power as of December 31, 1999

	<u>1999</u>	<u>1998</u>
REVENUE FOR SERVICES	\$ 521,009	\$ 631,965
COST OF SERVICES	339,604	424,398
Gross income	181,405	207,567
SELLING EXPENSES	62,476	58,863
ADMINISTRATIVE EXPENSES	57,186	54,890
Operating income	61,743	93,814
INTEGRAL COST OF FINANCING:		
Interest income (expense), net	1,380	(3,724)
Exchange loss, net	(571)	(5,872)
(Loss) gain on monetary position	(4,701)	5,001
	(3,892)	(4,595)
OTHER EXPENSES, net	(587)	(168)
Income before income taxes and employee profit sharing	57,264	89,051
Income taxes	(20,512)	(20,305)
Employee profit sharing	(6,028)	(6,595)
Net income for the year	\$ 30,724	\$ 62,151

The accompanying notes are an integral part of these financial statements.

(Translation of financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIQUM, S. A. DE C. V.STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998Thousands of Mexican pesos with purchasing power as of December 31, 1999

	<u>Capital stock</u>			<u>Retained earnings</u>	<u>Cumulative restatement effect</u>	<u>Total stockholders equity</u>
	<u>Historical</u>	<u>Restatement</u>	<u>Total</u>			
BALANCES AT DECEMBER 31, 1997	\$ 41,207	\$ 49,163	\$ 90,370	\$ (23,600)	\$ 169,111	\$ 235,881
Comprehensive income:						
Net income for the year				62,151		62,151
Gain from holding nonmonetary assets					3,569	3,569
BALANCES AT DECEMBER 31, 1998	41,207	49,163	90,370	38,551	172,680	301,601
Comprehensive income:						
Net income for the year				30,724		30,724
Loss from holding nonmonetary assets					(10,556)	(10,556)
BALANCES AT DECEMBER 31, 1999	\$ 41,207	\$ 49,163	\$ 90,370	\$ 69,275	\$ 162,124	\$ 321,769

The accompanying notes are an integral part of these financial statements.

(Translation of financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIOQUIM, S. A. DE C. V.STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998Thousands of Mexican pesos with purchasing power as of December 31, 1999

	<u>1999</u>	<u>1998</u>
<b>OPERATIONS:</b>		
Net income for the year	\$ 30,724	\$ 62,151
Add – Items not affecting resources:		
Depreciation and amortization	28,414	34,559
Seniority premiums	300	74
Landfill closure reserve	947	
	<u>60,385</u>	<u>96,784</u>
Changes in working capital:		
Trade receivables	46,791	(9,679)
Inventories	(7,442)	(6,762)
Suppliers	14,617	(26,070)
Affiliated companies payable	(23,757)	(21,405)
Other, net	(18,701)	3,196
	<u>71,893</u>	<u>36,064</u>
Resources provided by operations		
	<u>(29,749)</u>	<u>(13,241)</u>
<b>FINANCING:</b>		
Loan from affiliated company		
<b>INVESTING:</b>		
Property, plant and equipment, net	(31,597)	(20,856)
	<u>10,547</u>	<u>1,967</u>
Increase in cash and marketable securities		
Cash and marketable securities at beginning of year	15,326	13,359
Cash and marketable securities at end of year	<u>\$ 25,873</u>	<u>\$ 15,326</u>

The accompanying notes are integral part of these financial statements.

(Translation of financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIQUM, S. A. DE C. V.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1999 AND 1998

THOUSANDS OF MEXICAN PESOS WITH PURCHASING POWER AS OF DECEMBER 31, 1999  
(except otherwise indicated)

NOTE 1. EXPLANATION FOR TRANSLATION INTO ENGLISH

These financial statements are presented on the basis of accounting principles generally accepted in Mexico. Certain accounting practices applied by the Company that conform with accounting principles generally accepted in Mexico may not conform with accounting principles generally accepted in the country of use.

NOTE 2. ACTIVITY OF THE COMPANY

The Company is engaged in the collection, transportation, temporary storage, recycling, thermal treatment, and disposal of industrial wastes.

The Company performed a voluntary environmental audit jointly with the Federal Bureau of Environmental Protection. The observations and suggestions from the audit have been addressed through a "Voluntary Audit Improvement Program." For the third consecutive year, on April 1, 1999, the Company obtained the "Clean Industry" certification granted by the Secretariat of the Environment, Natural Resources and Fisheries (SEMARNAP), which is effective through March 31, 2001.

NOTE 3. CHANGES IN ACCOUNTING POLICIES

- a) Beginning in 1999, the Company complies with revised International Accounting Standard No. 1, effective for fiscal years beginning on or after July 1, 1998, by grouping the variations in capital stock into "Comprehensive Income". The retroactive effect of this presentation is reflected in the statement of the prior year.
- b) Foreseeing changes in the Mexican Environmental Laws and based on Corporate policies, the Company has created a reserve for the maintenance and monitoring of the land for when the land's life expectancy (50 years) has ended. Principally, the amount that is being reserved is the cost of labor and heavy equipment that will be needed to monitor the land.

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NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are in conformity with accounting principles generally accepted in Mexico, which require that the Company make certain estimates and use certain assumptions to determine the value of some of the items included in the financial statements and make the required disclosures therein. While the estimates and assumptions used may differ from the final effect, management believes that they were adequate under the circumstances.

The significant accounting policies are as follows:

a) Recognition of the effects of inflation in the financial information

In order to recognize the effects of inflation in the financial information, the Company's financial statements have been restated in terms of the purchasing power of the Mexican peso as of December 31, 1999. The financial statements of the prior year have been restated in terms of Mexican pesos of the latest period. The prior year amounts presented herein differ from those originally reported in terms of Mexican pesos of the corresponding year. Consequently, all the amounts in the financial statements are comparable, both for the current and prior year, since all are expressed in terms of Mexican pesos of the same purchasing power.

In order to recognize the effects of inflation in terms of Mexican pesos with purchasing power as of yearend, the procedures were as follows:

Balance sheet

Property, plant and equipment are initially recorded at their cost of acquisition or construction and are restated by applying factors derived from the National Consumer Price Index (NCPI) to the historical cost, except for machinery and equipment of foreign origin, whose value is restated by applying the general inflation index of the country of origin to the amounts in foreign currency and the amounts are converted into Mexican pesos at the exchange rate effective at yearend. Depreciation is calculated using the straight-line method, based on the estimated economic useful life of each asset.

The method used to amortize the land is based on a method recognizing amortization on the total amount of square meters of land, including those that may or may not be useful to construct cells. This method is backed by a study prepared by the Company's technical department. The land restatement is based on the application of factors derived from the NCPI from its date of purchase date.

Stockholders' equity and other nonmonetary items are restated using a factor derived from the NCPI from the date of contribution or generation.

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The cumulative restatement effect is comprised mainly of the result from holding nonmonetary assets, which represents the change in the specific price level of the assets relative to the NCPI.

Statement of income

Revenues, service costs, and expenses that affect or are associated with a monetary item (cash and marketable securities, trade receivables, liabilities, etc.) are restated from the month in which they arise through the most recent reporting date, based on factors derived from the NCPI.

Depreciation of property, plant and equipment is determined based on the cost restated for changes in the general price level and by the factor of devaluation and inflation of the corresponding country of origin.

The gain or loss on monetary position, which represents the erosion of the purchasing power of monetary items caused by inflation, is determined by applying the factor of inflation derived from the NCPI to net monetary assets or liabilities at the beginning of each month, and is restated through yearend with the corresponding factor.

b) Revenue recognition

The Company recognizes revenues when the services are provided.

c) Cash and marketable securities

Cash and marketable securities are valued at market.

d) Inventories of cells and spare parts

Cell inventory is recorded at its historical cost, based on costs and expenses incurred during the construction of the cells, which is similar to its replacement cost. This inventory is amortized according to the cubic meters occupied, and the waste being disposed of in the cells, based on engineering studies prepared by the Company's technical department.

Spare part inventories, security equipment and fuel are recorded at historical cost and restated using factors derived from the NCPI, which does not exceed its realizable value.

e) Guarantees for bids and other deposits

Represent restricted cash that has been given to state-supported companies as deposits on economic proposals for certain public bids. These deposits support bids that last less than one year.

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- 4 -

f) Cell closure reserve

This reserve corresponds to the estimated costs that will be paid for the closing of cells that are used only for disposed industrial waste. It is recorded according to the cubic meters of space used, based on engineering studies performed by the Company's technical department. In 1999 and 1998, the amount charged to results was \$ 1,679 and \$ 1,917, respectively.

g) Labor obligations

In accordance with the Federal Labor Law, the Company is liable for seniority premiums to employees terminating under certain circumstances.

The Company recognizes the liability for seniority premiums as cost in the years in which such premiums are accrued, according to calculations based on the wages effective on those dates, for personnel that have yet to complete 15 years of service.

Severance payments are charged to income of the year in which they are made.

h) Integral cost of financing

The integral cost of financing includes all financial revenues and expenses, such as interest, exchange gain or loss, and the gain or loss on monetary position, as they occur or accrue.

Transactions in foreign currency are recorded at the exchange rate as of the transaction date and the assets and liabilities in foreign currency are adjusted to the exchange rate as of yearend, affecting results as part of the integral cost of financing.

i) Income taxes and employee profit sharing

The Company recognizes, by means of the liability method, the future effect of income taxes and employee profit sharing, applicable to the cumulative amount for specific temporary differences between book and taxable income that have a definite turnaround in different periods and are not expected to be replaced by items of a similar nature and amount. As of December 31, 1999, there are no significant nonrecurring temporary items that require the recording of deferred taxes.

Beginning in 2000, a new accounting principle will become effective for the accounting treatment for income taxes, asset taxes and employee profit sharing, which beginning in 2000 will require the recognition of the deferred effects of all the temporary differences with regard to the annual calculations of these taxes. The corresponding effect has yet to be determined by the Company.

j) Comprehensive income

Comprehensive income is comprised of the net income for the period plus any gains or losses that in accordance with the accounting principles generally accepted in Mexico are presented directly in stockholders' equity, such as the gain or loss on holding nonmonetary assets.

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NOTE 5. TRADE ACCOUNTS RECEIVABLE

The trade accounts receivable balance is made up as follows:

	<u>1999</u>	<u>1998</u>
Trade	\$ 122,199	\$ 172,947
Reserve for doubtful accounts	(6,133)	(10,090)
	<u>\$ 116,066</u>	<u>\$ 162,857</u>

The reserve for doubtful accounts represents the Company's estimate on customer balances that are initially considered as overdue.

NOTE 6. INVENTORIES OF CELLS AND SPARE PARTS

Inventories are made up as follows:

	<u>1999</u>	<u>1998</u>
Cells in operation	\$ 17,421	\$ 11,624
Accumulated amortization	(9,814)	(7,464)
	<u>7,607</u>	<u>4,160</u>
Spare parts	2,759	2,256
Security equipment and fuel	542	454
	<u>\$ 10,908</u>	<u>\$ 6,870</u>

NOTE 7. RELATED-PARTY BALANCES AND TRANSACTIONS

Balances receivable and payable at December 31 with affiliated companies and other related parties are as follows:

	<u>1999</u>	<u>1998</u>
Receivable:		
Waste Management de México, S. A. de C. V.	\$ 4,665	\$ 1,993
Servicios Especializados en Recolección de Basura, S. A. de C. V.	757	451
Gen Industrial, S. A. de C. V.	1,061	788
	<u>\$ 6,483</u>	<u>\$ 3,232</u>

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	1999	1998
Payable:		
Waste Management of Texas, Inc.	\$ 37,403	\$ 37,218
Industrias Multiquim, S. A. de C. V.	9,358	11,961
Desarrollo en Ingeniería Ambiental, S. A. de C. V.		11,307
Waste Management of Hawaii, Inc.		6,854
Construcciones e Ingeniería Ambiental, S. A. de C. V.	6,028	4,224
Deproquim, S. A. de C. V.		3,287
Transquímica Nacional, S. A. de C. V.	3,917	
Other	1,561	3,922
	<u>\$ 58,267</u>	<u>\$ 78,773</u>
	=====	=====

The Company had the following transactions with affiliates and related parties:

	1999	1998
Revenues from services	\$ 14,099	\$ 4,902
Freight cost	(35,483)	(41,638)
Costs for treatment and final disposal	(38,030)	(53,349)
Technical assistance and technological support	(63,143)	(76,891)
Strategic development		(3,266)
Interest expense	(1,223)	(4,543)
Consulting and professional services	(6,440)	(8,033)

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	1999	1998
Buildings	\$ 21,344	\$ 20,994
Leasehold improvements	2,096	2,096
Machinery and equipment	111,894	117,163
Transportation equipment	20,209	17,148
Furniture and equipment	8,497	8,017
Computer equipment	12,569	11,262
Laboratory equipment	17,959	18,399
Construction in progress	16,580	582
	<u>211,148</u>	<u>195,661</u>
Accumulated depreciation	(105,271)	(89,761)
	<u>105,877</u>	<u>105,900</u>
Depreciable equipment, net		
Amortizable land	178,136	178,136
Amortization of land	(8,186)	(6,794)
	<u>\$ 275,827</u>	<u>\$ 277,242</u>
	=====	=====

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The annual depreciation rates for both 1999 and 1998 are as follows:

Buildings	5.0%
Leasehold improvements	5.0%
Machinery and equipment	10.0%
Transportation equipment	25.0%
Furniture and equipment	10.0%
Computer equipment	30.0%
Laboratory equipment	10.0%

#### NOTE 9. FOREIGN CURRENCY POSITION

At December 31, the company had the following monetary assets and liabilities in U.S. dollars (figures in this Note are expressed in thousands of U.S. dollars):

	<u>1999</u>	<u>1998</u>
Current assets	\$ 4,840	\$ 672
Short-term liabilities	(902)	(3,675)
Net asset (liability) position	<u>\$ 3,938</u>	<u>\$ (3,003)</u>

As of December 31, 1999 and 1998, the exchange rate of Mexican pesos per U.S. dollar was \$9.52 and \$9.94, respectively. As of March 8, 2000, date of issuance of the financial statements, the exchange rate was \$9.30 Mexican pesos per U.S. dollar, and the unaudited financial position in foreign currency is similar to that at yearend.

The main transactions carried out by the Company in foreign currency for the year ended December 31 are as follows:

	<u>1999</u>	<u>1998</u>
Revenues from services	\$ 12,225	\$ 12,190
Costs for treatment and final disposal of waste	(587)	(670)
Interest expense	(120)	(406)

During 1998, the Company acquired a thermal treatment unit and bio-remediation equipment in the amount of \$614. The equipment was purchased for the plant located in the state of Tabasco.

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**NOTE 10. TAX ENVIRONMENT****Income and asset taxes**

The Company is subject to income taxes and asset taxes. Income tax is computed considering the taxable or deductible effects of inflation, such as the depreciation calculated on values in constant pesos and the inflation effect on certain monetary assets or liabilities, through the inflationary component. The current income tax rate is 35% on the taxable income of the period and is payable at a rate of 30% (transitorily 32% in 1999), with the remainder payable upon distribution of earnings. Because the Company has no short-term plan to pay dividends to the stockholders, the remaining amount is recorded as a long-term liability in the balance sheet as of December 31, 1999.

The asset tax is computed at a rate of 1.8% on the average of the majority of restated assets less certain liabilities. The asset tax is paid only to the extent that it exceeds the income tax for the year. Any required payment of asset taxes is creditable against the excess of income taxes over asset taxes of the preceding three and following ten years.

**Employee profit sharing**

The income for employee profit sharing purposes differs from that used for income taxes, mainly because it does not consider the inflationary component, and depreciation is based on historical rather than restated values.

**NOTE 11. STOCKHOLDERS' EQUITY**

Capital stock is variable with a fixed minimum of \$20 and an unlimited maximum. At December 31, 1999, capital stock is represented by 2,818 nominative shares, without nominal par-value, of which 2,000 correspond to Series "B", representing the fixed minimum capital, and 428 Series "B-V" shares and 390 Series "P" shares. The two latter series of shares correspond to the variable portion. The bylaws of the Company contain a foreign inclusion clause, allowing foreigners to own up to 60% of the outstanding stock.

Beginning in 1999, dividends paid to individuals or foreign residents will be subject to income tax withholding at an effective rate ranging from 7.5% to 7.7%, which will vary according to the year in which the earnings were generated. Additionally, if earnings for which no corporate tax has been paid are distributed, the tax must be paid upon distribution of the dividends. Earnings for which the taxes applicable to the Company were paid amount to approximately \$86,360.

Capital reductions will be subject to taxes on the excess of the amount distributed over its tax value, determined in accordance with the provisions established in the Income Tax Law.

RESIDUOS INDUSTRIALES MULTIOUM. S. A. DE C. V.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 1998 AND 1997

AND

AUDITORS' REPORT

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# ARTHUR ANDERSEN

Monterrey, N.L.

(Translation of a report originally issued in Spanish)


To the Stockholders of  
Residuos Industriales Multiquim, S. A. de C. V.

We have audited the accompanying balance sheets of RESIDUOS INDUSTRIALES MULTIQUEM, S. A. DE C. V. as of December 31, 1998 and 1997, and the related statements of income, of changes in stockholders' equity and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Mexico, which are substantially the same as those followed in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and prepared in accordance with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, effective 1998, the Company changed the policy used for recognizing income and the amortization method for land to be used for confining wastes. The changes resulted in a positive effect to the Company's income amounting to \$21,452.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Residuos Industriales Multiquim, S. A. de C. V. at December 31, 1998 and 1997 and the results of its operations, the changes in stockholders' equity and the changes in financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

*Arthur Andersen*  
 y-V.G. *mu*

April 20, 1999

(Translation of the financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIOUM. S. A. DE C. V.BALANCE SHEETS AT DECEMBER 31, 1998 AND 1997Thousands of Mexican pesos purchasing power as of December 31, 1998**ASSETS****CURRENT ASSETS:**

	1998	1997
Cash and temporary investments	\$ 13.646	\$ 11.895
Trade customers	147.885	139.267
Taxes receivable	398	1.052
Other accounts receivable	1.974	910
Inventories of cells and spare parts	6.116	9.375
Prepaid expenses	2.209	2.264
Guarantees for bids and other deposits	3.065	2.282

Total current assets	175.293	167.045
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**PROPERTY, PLANT AND EQUIPMENT, net**

246.854	246.598
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**TOTAL ASSETS**

\$ 422.147	\$ 413.643
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**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES:**

Current portion of financial leasing payable within one year		\$ 569
Suppliers	\$ 15.419	38.632
Affiliated companies payable	70.139	89.198
Loan from affiliated company	26.488	38.278
Taxes payable	8.573	15.677
Other accounts payable	19.853	8.498
Employee profit sharing payable	6.066	5.063
Cell closure reserve	6.477	6.915

Total current liabilities	153.015	202.830
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**FINANCIAL LEASING**

263

**SENIORITY PREMIUMS PROVISION**

600	534
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Total liabilities	153.615	203.627
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**STOCKHOLDERS' EQUITY:**

Capital stock	80.456	80.456
Retained earnings (losses)	34.323	(21.016)
Cumulative restatement effect	153.753	150.576

Total stockholders' equity	268.532	210.016
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**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**

\$ 422.147	\$ 413.643
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The accompanying notes are an integral part of these financial statements.

(Translation of the financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIQUM. S. A. DE C. V.STATEMENT OF INCOME• FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997Thousands of Mexican pesos purchasing power as of December 31, 1998

	<u>1998</u>	<u>1997</u>
REVENUE FOR SERVICES	\$ 562.697	\$ 554.134
COST OF SERVICES	377.881	412.340
Gross income	<u>184.816</u>	<u>141.794</u>
SELLING EXPENSES	52.410	74.372
ADMINISTRATIVE EXPENSES	48.874	44.045
Operating income	<u>83.532</u>	<u>23.377</u>
INTEGRAL COST OF FINANCING:		
Interest expense, net	(3.316)	(3.320)
Exchange loss, net	(5.228)	(4.938)
Gain on monetary position	4.453	5.974
	<u>(4.091)</u>	<u>(2.284)</u>
OTHER (EXPENSES) INCOMES, net	<u>(150)</u>	<u>998</u>
Income before income tax and employee profit sharing	79.291	22.091
Income tax	(18.080)	(16.304)
Employee profit sharing	(5.872)	(5.200)
Net income for the year	<u><u>\$ 55.339</u></u>	<u><u>\$ 587</u></u>

The accompanying notes are an integral part of these financial statements.

(Translation of the financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIQUM, S. A. DE C. V.STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997Thousands of Mexican pesos purchasing power as of December 31, 1998

	<u>Capital stock</u>			<u>Retained (losses) earnings</u>	<u>Cumulative restatement effect</u>	<u>Total stockholders' equity</u>
	<u>Historical</u>	<u>Restatement</u>	<u>Total</u>			
BALANCES AT DECEMBER 31, 1996	\$ 21,732	\$ 33,096	\$ 54,828	\$ (21,603)	\$ * 157,344	\$ 190,569
Increase in capital stock	19,475	6,153	25,628			25,628
Net income for the year				587		587
Result of holding nonmonetary assets					(6,768)	(6,768)
BALANCES AT DECEMBER 31, 1997	41,207	39,249	80,456	(21,016)	150,576	210,016
Net income for the year				55,339		55,339
Result of holding nonmonetary assets					3,177	3,177
BALANCES AT DECEMBER 31, 1998	<u>\$ 41,207</u>	<u>\$ 39,249</u>	<u>\$ 80,456</u>	<u>\$ 34,323</u>	<u>\$ 153,753</u>	<u>\$ 268,532</u>

The accompanying notes are an integral part of these financial statements.

(Translation of the financial statements originally issued in Spanish)

RESIDUOS INDUSTRIALES MULTIQUM. S. A. DE C. V.STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997Thousands of Mexican pesos purchasing power as of December 31, 1998

	<u>1998</u>	<u>1997</u>
<b>OPERATIONS:</b>		
Net income for the year	\$ 55,339	\$ 587
Add - Items not affecting resources:		
Depreciation and amortization	30,771	11,880
Seniority premiums	66	533
	<u>86,176</u>	<u>13,000</u>
Changes in working capital:		
Trade customers	(8,618)	(67,277)
Inventories	(6,021)	2,729
Suppliers	(23,213)	1,943
Affiliated companies payable	(19,059)	68,210
Others, net	2,846	11,693
Resources provided by operations	<u>32,111</u>	<u>30,298</u>
<b>FINANCING:</b>		
Loan from affiliated company	(11,790)	(44,854)
Increase in capital stock		25,628
Resources used in financing	<u>(11,790)</u>	<u>(19,226)</u>
<b>INVESTING:</b>		
Property, plant and equipment, net	(18,570)	(11,433)
Increase (decrease) in cash and temporary investments	<u>1,751</u>	<u>(361)</u>
Cash and temporary investments at beginning of year	11,895	12,256
Cash and temporary investments at end of year	<u><u>\$ 13,646</u></u>	<u><u>\$ 11,895</u></u>

The accompanying notes are integral part of these financial statements.

RESIDUOS INDUSTRIALES MULTIQUM, S. A. DE C. V.

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 1998 AND 1997

Thousands of Mexican pesos purchasing power as of December 31, 1998  
(except otherwise indicated)

NOTE 1. EXPLANATION ADDED FOR  
TRANSLATION INTO ENGLISH

These financial statements are presented on the basis of accounting principles generally accepted in Mexico. Certain accounting practices applied by the Company that conform with accounting principles generally accepted in Mexico may not conform with accounting principles generally accepted in the country of use.

NOTE 2. ACTIVITY OF THE COMPANY

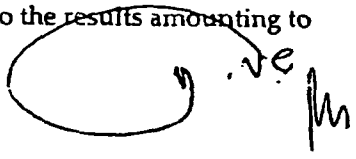
The Company is engaged in the collection, transportation, temporary storage, recycling, thermal treatment, disposal and confinement of industrial wastes.

The Company has performed a voluntary environmental audit jointly with the Federal Bureau of Environmental Protection. The observations and suggestions for the audit have been made through a "Voluntary Audit Improvement Program." For the second consecutive year, on April 1, 1998, the Company obtained the "Clean Industry" certification due on March 31, 1999, granted by the Secretaría de Medio Ambiente, Recursos Naturales y Pesca.

NOTE 3. CHANGES IN ACCOUNTING POLICIES

Effective in 1998, the Company determined that the policy for recognizing income should be based on the date in which the service is provided regardless of when it is invoiced, creating a balance between costs and income in the corresponding period. The effect of this change originated an additional income to the 1998 results amounting to \$24,176. By having made the change in 1997, the income for services in 1998 would have been reduced by approximately \$22,428.

As a result of the analysis of the probable useful life of certain assets and of judgement elements in addition to the ones already considered, as of 1998 the Company decided to modify the method used to amortize its land from a method based on square meters of land useful in the construction of cells to a method recognizing amortization on the total amount of square meters of land, including those that will or will not be used to construct cells. This change was made because the latter method allows for a reasonable balance between service costs and future income for confinement. The change in 1998 resulted in an additional charge to the results amounting to approximately \$2,724.



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NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are in conformity with generally accepted accounting principles in Mexico, which require that the Company make certain estimates and use certain assumptions to determine the value of some of the items included in the financial statements and make the required disclosures therein. While the estimates and assumptions used may differ from the final effect, management believes that they were adequate under the circumstances.

The significant accounting policies are as follows:

a) Recognition of the effects of inflation in the financial information

In order to recognize the effects of inflation in the financial information, the Company's financial statements have been restated in Mexican pesos purchasing power at December 31, 1998. The financial statements from the prior years have been restated to Mexican pesos at the last yearend, and their amounts differ from those originally reported in Mexican pesos in the corresponding year. Consequently, the amounts in the financial statements are comparable to one another and to the amounts from the prior years, since they are expressed in the same currency.

In order to recognize the effects of inflation in terms of Mexican pesos purchasing power as of yearend, the procedures were as follows:

Balance sheet

Property, plant and equipment are initially recorded at their cost of acquisition or construction and are restated using the factors derived from the National Consumer Price Index (NCPI) to the historical cost, except for machinery and equipment of foreign origin, whose value is restated by applying the general inflation index of the country of origin to the amounts in foreign currency and is converted into pesos at the exchange rate of the last year end. Depreciation is calculated using the straight-line method, based on the estimated economic useful life of each asset.

Stockholders' equity and other nonmonetary items are restated using a factor derived from the NCPI from the date of contribution or generation.

The cumulative restatement effect is comprised mainly of the result from holding non-monetary assets, which represents the change in the specific price level of the assets relative to the NCPI.

Statement of income

Revenues, service costs, and expenses that affect or are associated with a monetary item (cash and temporary investments, trade costumers, liabilities, etc.) are restated from the month in which they arise through the most recent reporting date, based on factors derived from the NCPI.

Depreciation of property, plant and equipment is determined based on the restated cost for changes in the general price level and for the sliding factor and inflation of origin, as applies.

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The gain or loss on monetary position, which represents the erosion of the purchasing power of monetary items caused by inflation, is determined by applying the factor of inflation derived from the NCPI to net monetary assets or liabilities at the beginning of each month, and is restated until yearend with the corresponding factor.

b) Revenue recognition

The Company recognizes revenues into its accounting records when services are provided.

c) Cash and temporary investments

Cash and temporary investments are expressed at market value.

d) Inventories of cells and spare parts

Cell inventory is recorded at its historical cost, based on costs and expenses incurred during the construction of the cells, which is similar to its replacement cost. This inventory is amortized according to the cubic meters occupied, and the waste being confined in the cells, based on engineering studies made by the Company's technical department.

Spare part inventories, security equipment and fuel are recorded at the historical cost, which does not exceed its realization value.

e) Guarantees for bids and other deposits

Deposits made for bids represent restricted cash that has been given to state-cooperating companies supporting economic proposals in some public bids. These deposits support bids that last less than one year.

f) Cell closure reserve

This reserve corresponds to the estimated costs that will be paid for the closing of cells which are used only for confining industrial wastes. It is recorded according to the cubic meters of space used, based on engineering studies performed by the Company's technical department.

g) Labor obligations

In accordance with the Federal Labor Law, the Company is bound to provide seniority premiums to employees terminating under certain circumstances.

The Company recognizes the labor liability for seniority premiums as the cost of the years in which such premiums are accrued, according to the calculations of wages effective on those dates, for personnel that have yet to complete 15 years of service.

Severance payments are charged to income of the year in which they are made.



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h) Integral cost of financing

The integral cost of financing includes all financial revenues and expenses, such as interest, exchange gain or loss, and the gain or loss from monetary position, as they occur or are accrued.

Transactions in foreign currency are recorded at the exchange rate of the transaction date, and assets and liabilities in foreign currency are adjusted to the exchange rate as of yearend, affecting the results as part of the integral cost of financing.

i) Income tax and employee profit sharing

The Company recognizes, by means of the liability method, the future effect of income tax and employee profit sharing, applicable to the cumulative amount for specific temporary differences between book and taxable income that have a definite turnaround in different periods and are not expected to be substituted by items of a similar nature and amount. As of December 31, 1998, there are no important non-recurring temporary items that require recording of deferred taxes.

NOTE 5. RECLASSIFICATIONS TO THE FINANCIAL STATEMENTS

The financial statements for the year ended at December 31, 1997 have been reclassified in certain accounts to be compared with the financial statements for 1998.

NOTE 6. TRADE CUSTOMERS

The trade customers balance is integrated as follows:

	<u>1998</u>	<u>1997</u>
Trade customers	\$ 156,915	\$ 151,887
Reserve for doubtful accounts	(9,030)	(12,620)
	<u>\$ 147,885</u>	<u>\$ 139,267</u>
	=====	=====

The reserve for doubtful accounts represents the Company's estimate on customer balances that are initially considered as overdue.

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NOTE 7. INVENTORIES

Inventories are integrated as follows:

	<u>1998</u>	<u>1997</u>
Cells in operation	\$ 10,351	\$ 8,103
Accumulated amortization	(6,646)	(254)
	<u>3,705</u>	<u>7,849</u>
Spare parts	2,008	1,171
Security equipment and fuel	403	355
	<u>\$ 6,116</u>	<u>\$ 9,375</u>
	=====	=====

NOTE 8. RELATED-PARTY BALANCES AND TRANSACTIONS

Balances payable at December 31 with affiliated companies and other related parties are as follows:

	<u>1998</u>	<u>1997</u>
Waste Management of Texas, Inc.	\$ 33,139	\$ 50,568
Industrias Multiquim, S. A. de C. V.	10,651	2,768
Desarrollo en Ingeniería Ambiental, S. A. de C. V.	10,068	
Waste Management of Hawaii, Inc.	6,103	
Construcciones e Ingeniería Ambiental, S. A. de C. V.	3,761	13,054
Deproquim, S. A. de C. V.	2,926	6,247
CWM Port Arthur		14,393
Others	3,491	2,168
	<u>\$ 70,139</u>	<u>\$ 89,198</u>
	=====	=====

The loan for \$26,488 with an affiliate refers to a promissory note in U.S. dollars with Waste Management Mexico Holdings, Inc. at an annual interest rate of 11.63% maturity in December, 1999, with a one-year renewal option before maturity.

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The Company made the following transactions with affiliates and related parties for the following concepts:

	<u>1998</u>	<u>1997</u>
Revenues for services	\$ 4,365	\$ 6,299
Shipping cost	(37,075)	(32,098)
Costs for treatment and final disposal	(47,503)	(49,977)
Technical assistance and technological support	(68,464)	(69,015)
Strategic development	(2,909)	(42,663)
Interest expense	(4,045)	(3,692)
Consulting and professional services	(7,153)	(4,897)

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	<u>1998</u>	<u>1997</u>
Buildings	\$ 18,693	\$ 18,693
Leasehold improvements	1,867	1,765
Machinery and equipment	104,321	88,624
Transportation equipment	15,268	12,072
Furniture and equipment	7,138	6,688
Computer equipment	10,027	7,595
Laboratory equipment	16,383	15,623
Construction in progress	519	269
	<u>174,216</u>	<u>151,329</u>
Accumulated depreciation	(81,826)	(60,427)
Depreciable equipment, net	<u>92,390</u>	<u>90,902</u>
Redeemable land	158,611	156,575
Amortization of land	(4,147)	(879)
	<u>\$ 246,854</u>	<u>\$ 246,598</u>
	=====	=====

The annual depreciation rates are as follows:

	<u>1998</u>	<u>1997</u>
Buildings	5.0%	2.9%
Machinery and equipment	10.0%	11.9%
Transportation equipment	25.0%	23.2%
Furniture and equipment	10.0%	10.9%
Computer equipment	30.0%	28.7%
Laboratory equipment	10.0%	11.9%

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The amortization of land destined for waste confinement is based on the total square meters of land, including those that will and will not be used for cell construction, based on engineering studies prepared by the Company's technical department.

#### NOTE 10. FOREIGN CURRENCY POSITION

At December 31, the company had the following monetary assets and liabilities in U.S. dollars (figures in this Note are expressed in thousands of U.S. dollars):

	<u>1998</u>	<u>1997</u>
Current assets	\$ 672	\$ 1,465
Short-term liabilities	(3,675)	(5,866)
	<u>-----</u>	<u>-----</u>
Net liability position	\$ (3,003)	\$ (4,401)
	<u>=====</u>	<u>=====</u>

At December 31, 1998 and 1997, the exchange rate of Mexican pesos per U.S. dollar was \$9.94 and \$8.06, respectively. At April 20, 1999, date of issuance of the financial statements, the exchange rate was \$9.40 Mexican pesos per U.S. dollar, and the financial position in foreign currency, unaudited, is similar to that at yearend.

The main transactions carried out by the Company in foreign currency for the year ended as of December 31 are as follows:

	<u>1998</u>	<u>1997</u>
Revenue for services	\$ 12,190	\$ 6,643
Costs for treatment and final disposal of wastes	(670)	(4,198)
Interest expense	(406)	(476)

During 1998, the Company acquired a thermal treatment unit and bioremediation equipment amounting to \$614. The equipment was purchased for the plant located in the state of Tabasco.

#### NOTE 11. TAX ENVIRONMENT

##### Income and asset tax

The Company is subject to the income tax and asset tax. Income tax is computed considering the taxable or deductible effects of inflation, such as the depreciation calculated on values in constant pesos and the inflation effect on certain monetary assets or liabilities, through the inflationary component. The current income tax rate is 34% on the taxable income of the period. Beginning in 1999, the income tax rate will increase from 34% to 35%, obligating payment each year of the income tax at a rate of 30% (provisionally 32% in 1999), and the remainder is to be paid upon distribution of earnings.

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The asset tax is computed at a rate of 1.8% on the average of the majority of restated assets and certain liabilities. The asset tax is paid only to the extent that it exceeds the income tax for the year. Any required payment of asset tax is creditable against the excess of income tax over the asset tax in the following ten years. Additionally, the income tax paid in excess of the asset tax for the prior three years can be credited to the asset tax determined in the current year.

#### Employee profit sharing

The income for employee profit sharing purposes differs from that used for income tax, mainly because it does not consider the inflationary component, and the tax depreciation is included at its restated value.

#### NOTE 12. STOCKHOLDERS' EQUITY

Capital stock is variable with a fixed minimum of \$20 and an unlimited maximum. At December 31, 1998, capital stock is represented by 2,818 nominative shares, without nominal par-value, of which 2,000 correspond to Series "B", representing the fixed minimum capital, and 428 Series "B-V" shares and 390 Series "P" shares. The two latter series of shares correspond to the variable portion. The deed of the company contains a foreign inclusion clause, allowing foreigners to own up to 60% of stock.

Dividends paid as from 1999 to individuals or foreign residents will be subject to income tax withholding at an effective rate ranging from 7.5% to 7.7%, which will vary according to the year in which the earnings were generated. Additionally, if earnings for which no corporate tax has been paid are distributed, the tax must be paid upon distribution of the dividends. Earnings for which the taxes applicable to the company were paid amount to approximately \$54,000.

Capital reductions will cause income tax on the excess of the amount distributed against its tax value, determined in accordance with the provisions established in the Income Tax Law.

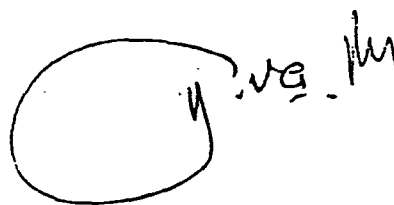
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RESIDUOS INDUSTRIALES MULTIQUM, S. A. DE C. V.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 1997 AND 1996

AND

AUDITORS' REPORT

A handwritten signature, possibly "J. V. M.", is enclosed within a hand-drawn circle.

# ARTHUR ANDERSEN

Monterrey, N.L.

Translation from a Report Originally Issued in Spanish

To the Shareholders of

Residuos Industriales Multiquim, S. A. de C. V.:

We have audited the accompanying balance sheets of RESIDUOS INDUSTRIALES MULTIQUEM, S. A. DE C. V. (the "Company") as of December 31, 1997 and 1996, and the related statements of income, changes in shareholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our examinations in accordance with generally accepted auditing standards in Mexico, which are substantially the same as those followed in the United States. Those standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our examinations provide a reasonable basis for our opinion.

As explained in Note 3 to the financial statements, effective January 1, 1997 the Company properties, plant and equipment valuation method change, to conform under provisions under the fifth amendment to Bulletin B-10, issued by the Mexican Institute of Certified Public Accountants.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Residuos Industriales Multiquim, S. A. de C. V., as of December 31, 1997 and 1996 and the results of its operations, changes in shareholders' equity and the changes in financial position for the years then ended, in conformity with accounting principles generally accepted in Mexico.

*Arthur Andersen*

*Va.*  
*M*

March 27, 1998

## RESIDUOS INDUSTRIALES MULTIOQUIM, S. A. DE C. V.

## BALANCE SHEETS AS OF DECEMBER 31, 1997 AND 1996

EXPRESSED IN THOUSAND OF MEXICAN PESOS WITH PURCHASING POWER AS OF DECEMBER 31, 1997

<u>ASSETS</u>		<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
	<u>1997</u>	<u>1996</u>		<u>• 1997</u>	<u>1996</u>
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	\$ 3,159	\$ 10,334	Current portion of financial leasing	\$ 480	\$ 1,015
	-----	-----	Accounts payable to suppliers and contractors	32,571	30,933
Accounts receivable-			Affiliated Companies	75,203	17,695
Clients	128,057	68,422	Loans from affiliated companies	32,272	70,089
Taxes receivable	887	1,817	Taxes payable	13,217	9,171
Others	766	417	Employee profit sharing	4,269	1,620
Reserve for doubtful accounts	(10,640)	(7,727)	Other accounts payable	7,165	4,565
	-----	-----	Cell closure reserve	5,830	8,672
	119,070	62,929		-----	-----
	-----	-----	Total current liabilities	171,007	143,760
				-----	-----
Inventories of cells, net	6,843	9,487	FINANCIAL LEASING	222	221
Inventories of spare parts and security equipment	1,287	944	LABOR OBLIGATIONS	450	-
	-----	-----			
Total current assets	130,359	83,694	SHAREHOLDERS' EQUITY:		
PREPAID EXPENSES	10,703	7,192	Capital stock	67,833	46,226
			Net income (loss) for the year	495	(2,752)
			Accumulated losses	(18,214)	(15,462)
			Cumulative restatement effect	126,952	132,658
				-----	-----
PROPERTY, PLANT AND EQUIPMENT, net	207,683	213,765	Total shareholders' equity	177,066	160,670
	-----	-----		-----	-----
	\$ 348,745	\$ 304,651		\$ 348,745	\$ 304,651
	=====	=====		=====	=====

The accompanying notes are an integral part of these balance sheets.

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